

WISCONSIN ECONOMIC FORECAST UPDATE: JULY 2021

AS OF JULY 31st, SUBJECT TO ONGOING REVISION

- The National Bureau of Economic Research (NBER)'s Business Cycle Dating Committee announced that the recent recession started in February 2020 (peak) and ended in April 2020 (trough), more than a year ago.
- The IMF's World Economic Outlook published this month expects the global economy to grow 6.0% in 2021 and 4.9% in 2022. The forecast for advanced economies was revised up, while prospects for emerging market and developing economies have been marked down for 2021.
- The U.S. economy was one of the less-impacted and fastest to recover due to the unprecedented support from fiscal and monetary policy and states re-opening their economies. The current forecast does not include any assumption about the infrastructure package that was still being debated at the time the forecast was developed.
- The July IHS Markit forecast revised real U.S. GDP growth for 2021 down from 7.4% to 6.6%, but the recovery continues at a solid pace. The revision was largely accounted for by a downward revision of second-quarter growth due to weaker-than-expected readings in May for

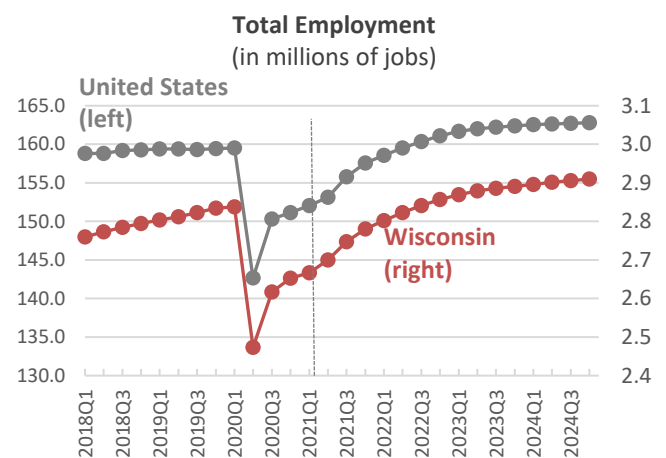
consumption, housing, and investment.

- Also, following CBO's latest fiscal projections, IHS Markit shifted some government spending from the second quarter to the second half of this year.
- Inflation continues to be a concern as the post-pandemic rebound in prices has been stronger than expected. IHS Markit revised up the projection of CPI inflation for 2021 and 2022 from 3.3% and 2.1% to 3.7% and 2.4%, respectively. They still expect core PCE inflation to retreat to 2% after 2021.
- Total employment through June recovered 70% of the jobs lost in Wisconsin and nationwide.
- Wisconsin employment is expected to expand 2.6% in 2021 and 3.6% in 2022. The forecast expects employment to reach the pre-pandemic level by mid-2022.
- Wisconsin personal income growth was 4.7% in 2020, pushed by the federal stimulus funds, and it's expected to accelerate to 6.6% in 2021 due to the additional federal fiscal spending approved this year.

More than a year has now passed since the end of the COVID recession in April 2020 and the recovery phase has proven to be extraordinary when compared with previous economic cycles. The steep and brief decline of the economy between February and April 2020 was so unusual that it forced the NBER's Business Cycle Dating Committee to change the usual definition of a recession. The release of the second quarter real GDP shows that the economy fully recovered from the pandemic using this metric. However, the other two broad measures of the economy tell a different story. On the one hand, total personal income never declined, helped by federal fiscal stimulus. On the other hand, total employment shows that in June there were still almost 7 million fewer jobs than in February 2020. There are also large discrepancies between industries regarding jobs recovery. Service industries continue to fall behind even during the recovery. Employment in the services sectors is 4.9% below its pre-pandemic level, while employment in goods producing industries is just 1.6% below its peak.

The forecast expects Wisconsin employment to grow 2.6% in 2021 and 3.6% in 2022, compared to 2.8% and 3.7%

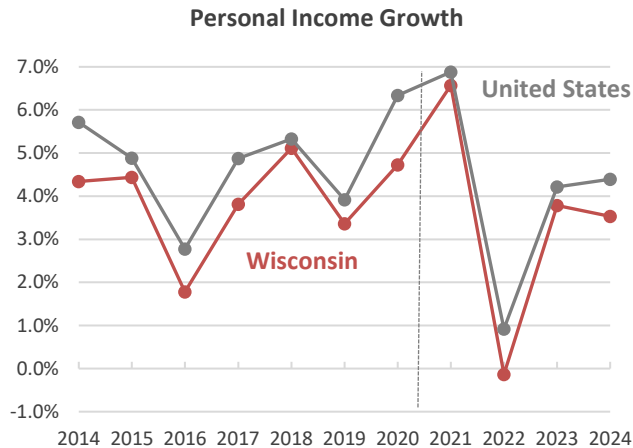
nationwide. Wisconsin and the US will reach pre-pandemic levels of employment by mid-2022.



Sources: Bureau of Labor Statistics (CES) and Wisconsin DOR (forecast).

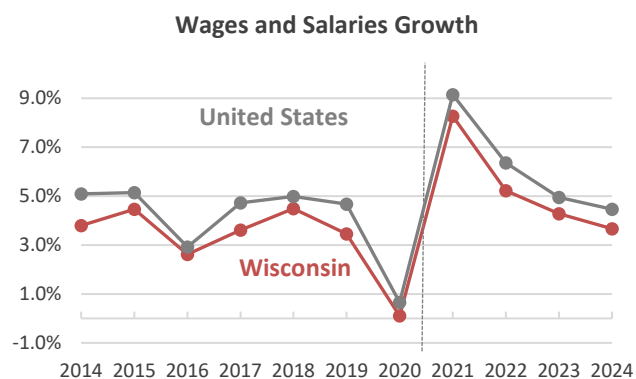
Recently published state personal income estimates from the Bureau of Economic Analysis (BEA) show growth in 2020 of 4.7% in Wisconsin, compared to 6.3% nationwide and 6.5% in the Great Lakes. The main driver of personal income growth in 2020 was personal transfer receipts (including stimulus rebates and unemployment compensation). The same is true for the extraordinary growth rates during the first quarter of

2021 that accumulated the payments of the second and third rounds of fiscal stimulus. Wisconsin personal income grew 66.5% during the first quarter of 2021, compared to 59.7% nationwide and 69.6% for the Great Lakes region. Personal transfer payments accounted for 62 percentage points of that growth in Wisconsin.



Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

In 2020, wages and salaries grew only 0.1% in Wisconsin versus 0.7% nationwide. The forecast expects wage and salary income to recover strongly in 2021, posting growth of 8.3% in Wisconsin and 9.2% nationwide. The forecast expects another year of unusually strong growth in 2022 with wages and salaries expanding 5.2% in Wisconsin and 6.4% in the U.S. as labor markets respond to inflation and labor supply constraints (baby boomers retiring, child care, etc.).

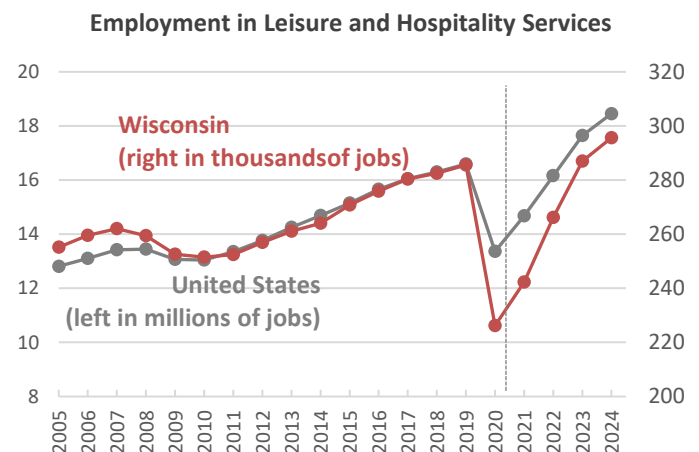


Sources: Bureau of Economic Analysis and Wisconsin DOR (forecast).

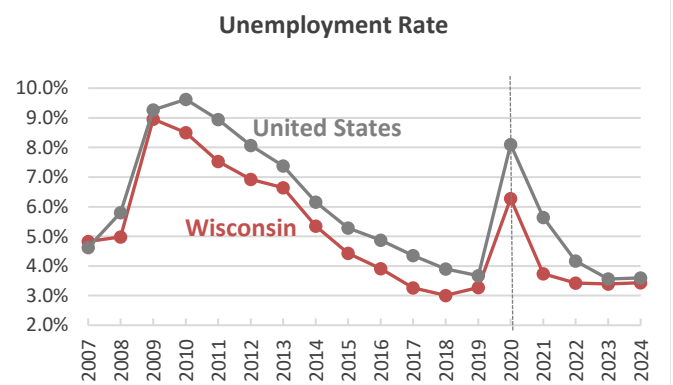
Wisconsin employment dropped 14% and the unemployment rate jumped from 3.2% to 14.8% in April 2020. In just nine months the unemployment rate went down to 3.8% and has stayed steady since January 2021. However, Wisconsin is still 126,000 jobs behind the pre-pandemic employment level. Wisconsin private employment is 3.8% below its level of February 2020 and while most industries are recovering, the

hardest hit low-wage sectors are taking longer to recover. The arts, entertainment, and recreation sector shows a level of employment 37% below its pre-pandemic mark, while accommodation and food services was 15.4% below, and educational services was 7.9% below its peak level of February 2020. The forecast for the leisure and hospitality sector was revised upward following the reopening of the economy and is now expected to fully recover by mid-2023.

The goods producing sectors fared better during the decline and during the recovery, too. Manufacturing employment in June was 1% below its pre-pandemic level, mostly due to the strong performance of the durable goods subsector. Construction employment fell 8% during the recession, losing 10,000 jobs between February and April 2020. The strong recovery brought this sector to its pre-pandemic level by the end of 2020, but it fell slightly in the first months of 2021. The downward pressure in construction jobs is likely coming from labor markets and supply chain disruptions. The Wisconsin housing market looks strong. Housing permits in the first half of 2021 were 43% above last year and the median price of existing home sales was 12% above last year.



Sources: Bureau of Labor Statistics (CES) and Wisconsin DOR (forecast).



Sources: Bureau of Labor Statistics (LAUS) and Wisconsin DOR (forecast).

Employment (Annual)**Table 1. Wisconsin CES Employment Forecast: Industry Detail**

(Thousands of jobs)

	History				Forecast			
	2017	2018	2019	2020	2021	2022	2023	2024
Total Nonfarm	2,951.9	2,980.3	2,987.8	2,818.3	2,892.8	2,997.6	3,041.4	3,053.4
% Change	0.8	1.0	0.3	-5.7	2.6	3.6	1.5	0.4
Private Nonfarm	2,540.9	2,567.2	2,578.1	2,431.7	2,502.7	2,590.6	2,628.8	2,639.4
% Change	1.0	1.0	0.4	-5.7	2.9	3.5	1.5	0.4
Natural Resources & Mining	4.3	4.7	4.2	3.5	3.7	3.9	4.1	4.3
% Change	15.8	8.6	-11.7	-16.2	5.4	6.9	4.5	4.6
Construction	117.4	122.4	124.5	124.0	123.2	123.7	123.3	122.7
% Change	4.2	4.2	1.8	-0.4	-0.6	0.3	-0.3	-0.5
Manufacturing	470.5	479.6	483.5	459.5	473.1	479.9	480.1	474.2
% Change	0.6	1.9	0.8	-5.0	3.0	1.4	0.0	-1.2
Trade, Transportation & Utilities	539.2	540.2	535.5	518.3	532.9	529.6	522.6	517.2
% Change	0.5	0.2	-0.9	-3.2	2.8	-0.6	-1.3	-1.0
Information	47.9	47.2	47.1	44.9	45.3	46.2	46.7	47.3
% Change	-2.5	-1.4	-0.3	-4.5	0.9	1.9	1.1	1.4
Financial Activities	152.8	153.0	154.5	152.2	153.1	162.3	165.4	165.0
% Change	0.6	0.1	1.0	-1.5	0.6	6.0	1.9	-0.2
Professional & Business Services	325.8	328.2	326.6	309.7	323.9	354.4	374.7	386.9
% Change	1.0	0.7	-0.5	-5.2	4.6	9.4	5.7	3.2
Education & Health Services	451.3	457.3	464.1	449.6	456.1	468.3	467.2	468.6
% Change	1.4	1.3	1.5	-3.1	1.5	2.7	-0.2	0.3
Leisure & Hospitality	280.3	282.4	285.5	226.2	242.2	266.1	287.0	295.6
% Change	1.6	0.8	1.1	-20.8	7.1	9.9	7.8	3.0
Other Services	151.4	152.2	152.7	143.8	149.0	156.2	157.8	157.5
% Change	1.0	0.5	0.3	-5.8	3.6	4.8	1.1	-0.2
Government	411.0	413.2	409.7	386.7	390.1	407.0	412.6	414.0
% Change	-0.8	0.5	-0.8	-5.6	0.9	4.3	1.4	0.3
Federal Government	29.0	29.1	29.3	30.8	30.0	30.0	30.0	30.0
% Change	0.0	0.3	0.7	5.2	-2.5	-0.1	-0.1	-0.1
State & Local Government	382.0	384.1	380.4	355.9	360.1	377.0	382.6	384.0
% Change	-0.9	0.5	-1.0	-6.5	1.2	4.7	1.5	0.4

Table 2. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2017	2018	2019	2020	2021	2022	2023	2024
Labor Force	3,122.1	3,106.3	3,094.5	3,065.0	3,092.4	3,130.6	3,155.7	3,164.4
% Change	0.4	-0.5	-0.4	-1.0	0.9	1.2	0.8	0.3
Employment	3,020.3	3,012.5	2,993.2	2,873.0	2,976.6	3,023.5	3,048.8	3,055.6
% Change	1.1	-0.3	-0.6	-4.0	3.6	1.6	0.8	0.2
Unemployment Rate (%)	3.3	3.0	3.3	6.3	3.7	3.4	3.4	3.4

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

Employment (Quarterly)**Table 3. Wisconsin CES Employment Forecast: Industry Detail**
(Thousands of jobs, seasonally adjusted data, annual rate of change)

	History				Forecast			
	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4	2022:1	2022:2
Total Nonfarm	2,806.5	2,823.0	2,840.9	2,863.0	2,915.6	2,951.5	2,971.4	2,990.0
% Change	25.2	2.4	2.6	3.2	7.6	5.0	2.7	2.5
Private Nonfarm	2,419.2	2,443.3	2,459.9	2,479.5	2,521.5	2,549.7	2,567.5	2,584.1
% Change	25.6	4.1	2.8	3.2	7.0	4.6	2.8	2.6
Natural Resources & Mining	3.2	3.4	3.6	3.6	3.7	3.8	3.9	3.9
% Change	-21.3	22.3	25.7	-3.7	20.9	8.7	6.0	4.0
Construction	122.5	126.6	121.6	124.0	123.4	124.0	123.6	123.7
% Change	8.4	14.0	-15.0	8.1	-1.7	1.9	-1.1	0.2
Manufacturing	452.3	462.3	469.0	472.6	474.2	476.7	479.4	479.0
% Change	7.1	9.2	5.9	3.1	1.4	2.1	2.3	-0.3
Trade, Transportation & Utilities	522.3	523.1	528.2	529.3	534.6	539.7	534.8	530.0
% Change	27.3	0.6	4.0	0.8	4.1	3.9	-3.6	-3.5
Information	44.3	44.3	45.2	45.4	45.3	45.5	46.0	46.0
% Change	3.4	0.0	8.1	1.8	-1.0	1.8	4.2	0.5
Financial Activities	151.9	151.1	150.3	150.3	155.4	156.4	159.3	162.0
% Change	2.9	-2.1	-2.0	0.0	14.2	2.7	7.6	7.0
Professional & Business Services	305.0	314.2	319.3	320.3	324.9	330.9	346.2	352.5
% Change	14.3	12.6	6.7	1.3	5.9	7.5	19.9	7.4
Education & Health Services	450.5	447.6	447.7	450.1	462.4	464.3	461.4	470.0
% Change	18.3	-2.5	0.1	2.1	11.4	1.7	-2.5	7.7
Leisure & Hospitality	223.5	224.9	228.8	235.2	248.3	256.6	259.3	261.4
% Change	190.5	2.5	7.1	11.7	24.2	14.1	4.2	3.3
Other Services	143.6	145.8	146.2	148.8	149.2	151.8	153.6	155.4
% Change	37.4	6.3	1.2	7.1	1.3	7.1	4.6	5.0
Government	387.3	379.7	380.9	383.5	394.1	401.8	403.9	405.9
% Change	22.8	-7.6	1.3	2.8	11.5	8.0	2.2	2.0
Federal Government	33.0	30.5	30.0	30.1	30.0	30.0	30.0	30.0
% Change	47.1	-26.7	-6.8	0.9	-0.3	-0.3	-0.1	-0.1
State & Local Government	354.3	349.2	350.9	353.5	364.1	371.8	373.9	375.9
% Change	20.8	-5.7	2.0	2.9	12.5	8.7	2.4	2.1

Table 4. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4	2022:1	2022:2
Labor Force	3,076.1	3,054.1	3,060.8	3,085.4	3,106.2	3,117.0	3,121.1	3,128.1
% Change	2.9	-2.8	0.9	3.3	2.7	1.4	0.5	0.9
Employment	2,886.7	2,920.6	2,943.9	2,965.0	2,990.2	3,007.4	3,012.5	3,021.4
% Change	28.7	4.8	3.2	2.9	3.4	2.3	0.7	1.2
Unemployment Rate (%)	6.2	4.4	3.8	3.9	3.7	3.5	3.5	3.4

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

Employment (Quarterly)

Table 3b. Wisconsin CES Employment Forecast: Industry Detail

(Thousands of jobs, year-over-year change)

	History				Forecast			
	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4	2022:1	2022:2
Total Nonfarm	2,806.5	2,823.0	2,840.9	2,863.0	2,915.6	2,951.5	2,971.4	2,990.0
% Change	-6.0	-5.6	-5.0	7.9	3.9	4.6	4.6	4.4
Private Nonfarm	2,419.2	2,443.3	2,459.9	2,479.5	2,521.5	2,549.7	2,567.5	2,584.1
% Change	-6.2	-5.3	-4.6	8.5	4.2	4.4	4.4	4.2
Natural Resources & Mining	3.2	3.4	3.6	3.6	3.7	3.8	3.9	3.9
% Change	-21.8	-14.3	-7.7	3.9	15.7	12.3	7.6	9.7
Construction	122.5	126.6	121.6	124.0	123.4	124.0	123.6	123.7
% Change	-1.9	0.7	-4.1	3.2	0.7	-2.1	1.7	-0.2
Manufacturing	452.3	462.3	469.0	472.6	474.2	476.7	479.4	479.0
% Change	-6.3	-3.9	-2.1	6.3	4.9	3.1	2.2	1.4
Trade, Transportation & Utilities	522.3	523.1	528.2	529.3	534.6	539.7	534.8	530.0
% Change	-2.2	-2.3	-1.4	7.6	2.3	3.2	1.2	0.1
Information	44.3	44.3	45.2	45.4	45.3	45.5	46.0	46.0
% Change	-5.7	-5.7	-4.0	3.3	2.2	2.6	1.7	1.4
Financial Activities	151.9	151.1	150.3	150.3	155.4	156.4	159.3	162.0
% Change	-1.7	-2.4	-2.9	-0.3	2.3	3.5	6.0	7.8
Professional & Business Services	305.0	314.2	319.3	320.3	324.9	330.9	346.2	352.5
% Change	-6.4	-3.4	-1.6	8.6	6.5	5.3	8.4	10.0
Education & Health Services	450.5	447.6	447.7	450.1	462.4	464.3	461.4	470.0
% Change	-3.4	-4.0	-4.4	4.2	2.6	3.7	3.1	4.4
Leisure & Hospitality	223.5	224.9	228.8	235.2	248.3	256.6	259.3	261.4
% Change	-21.7	-21.6	-19.8	37.4	11.1	14.1	13.3	11.2
Other Services	143.6	145.8	146.2	148.8	149.2	151.8	153.6	155.4
% Change	-6.0	-4.6	-4.5	12.2	3.9	4.1	5.0	4.5
Government	387.3	379.7	380.9	383.5	394.1	401.8	403.9	405.9
% Change	-5.2	-7.4	-7.5	4.2	1.8	5.8	6.0	5.8
Federal Government	33.0	30.5	30.0	30.1	30.0	30.0	30.0	30.0
% Change	11.9	4.2	0.8	0.3	-9.0	-1.7	0.1	-0.2
State & Local Government	354.3	349.2	350.9	353.5	364.1	371.8	373.9	375.9
% Change	-6.5	-8.3	-8.1	4.6	2.8	6.5	6.6	6.3

Table 4b. Wisconsin Household Survey Employment Measures

	History				Forecast			
	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4	2022:1	2022:2
Labor Force	3,076.1	3,054.1	3,060.8	3,085.4	3,106.2	3,117.0	3,121.1	3,128.1
% Change	-0.7	-1.3	-0.5	1.0	1.0	2.1	2.0	1.4
Employment	2,886.7	2,920.6	2,943.9	2,965.0	2,990.2	3,007.4	3,012.5	3,021.4
% Change	-3.5	-2.4	-1.0	9.4	3.6	3.0	2.3	1.9
Unemployment Rate (%)	6.2	4.4	3.8	3.9	3.7	3.5	3.5	3.4

Source: Bureau of Labor Statistics, Wisconsin Department of Revenue (Forecast)

Wisconsin Personal Income (Annual)**Table 5. Wisconsin Personal Income by Major Source**

(\$ Billions)

	History				Forecast			
	2017	2018	2019	2020	2021	2022	2023	2024
Total Personal Income	285.2	299.8	309.9	324.6	345.9	345.4	358.5	371.2
% Change	3.8	5.1	3.4	4.7	6.6	-0.1	3.8	3.5
Wages and Salaries	143.8	150.2	155.4	155.6	168.4	177.2	184.8	191.6
% Change	3.6	4.5	3.5	0.1	8.3	5.2	4.3	3.7
Supplements to Wages and Salaries	37.2	39.5	40.7	40.5	43.0	45.5	47.4	49.1
% Change	3.2	6.1	3.0	-0.5	6.3	5.7	4.2	3.6
Proprietor's Income	19.1	19.4	21.1	22.0	23.1	23.1	23.7	24.3
% Change	1.5	1.7	8.4	4.2	5.2	-0.1	2.7	2.7
Property Income	55.6	59.3	59.7	59.2	60.4	64.6	66.9	68.9
% Change	5.0	6.5	0.8	-0.9	2.0	6.8	3.7	2.9
Personal Interest Income	23.1	23.7	23.9	23.4	23.7	23.8	23.5	24.0
% Change	4.6	2.5	1.1	-2.3	1.5	0.4	-1.4	2.0
Personal Dividend Income	21.0	23.5	23.3	23.1	23.4	26.8	28.6	29.4
% Change	6.7	11.7	-1.1	-0.8	1.7	14.2	6.8	2.8
Rental Income	11.5	12.1	12.6	12.8	13.3	14.0	14.8	15.5
% Change	2.6	5.2	3.8	1.9	3.6	5.4	6.2	4.6
Personal Current Transfer Receipts	48.9	51.5	53.9	68.6	73.8	59.3	61.0	63.5
% Change	4.6	5.3	4.6	27.4	7.6	-19.6	2.7	4.2
Residence Adjustment	3.9	3.9	4.1	4.0	4.2	4.3	4.4	4.5
% Change	4.7	1.0	4.1	-1.8	4.8	2.2	2.2	1.8
Contributions to Govt. Social Ins.	23.3	24.0	25.0	25.3	27.2	28.6	29.7	30.7
% Change	4.3	3.2	4.0	1.5	7.2	5.3	3.9	3.4

Table 6. Wisconsin Related Income Measures

(Different units)

	History				Forecast			
	2017	2018	2019	2020	2021	2022	2023	2024
Real Personal Income (2012 \$ Billions)*	292.3	302.7	308.4	317.2	330.2	328.4	335.4	342.0
% Change	1.3	2.2	3.5	2.9	4.1	-0.6	2.2	2.0
Population (Millions)	5.79	5.81	5.82	5.83	5.85	5.87	5.88	5.90
% Change	0.3	0.3	0.3	0.1	0.4	0.4	0.4	0.4
Per Capita Income (\$)	49,239	51,611	53,207	55,487	59,094	58,884	60,957	62,949
% Change	3.5	4.8	3.1	4.3	6.5	-0.4	3.5	3.3
Personal Tax & Nontax Payments* (\$ Billions)	32.4	32.9	34.6	34.6	37.1	39.6	41.7	43.1
% Change	-0.7	1.8	5.1	0.0	7.2	6.9	5.1	3.5
Disposable Personal Income* (\$ Billions)	252.9	266.9	275.3	289.9	308.8	305.8	316.8	328.1
% Change	4.4	5.5	3.2	5.3	6.5	-1.0	3.6	3.5
GDP (\$ Billions)	320.6	337.6	349.4	338.7	367.9	392.9	407.6	422.3
% Change	2.3	5.3	3.5	-3.1	8.6	6.8	3.7	3.6
Real GDP (chained 2012 \$ Billions)	294.2	303.8	308.0	294.2	313.4	328.1	333.8	339.0
% Change	1.0	3.3	1.4	-4.5	6.5	4.7	1.7	1.6

Source: Bureau of Economic Analysis, Wisconsin Department of Revenue (Forecast)

*2020 values are forecasted

Wisconsin Personal Income (Quarterly)**Table 7. Wisconsin Personal Income by Major Source**
(\$ Billions, seasonally adjusted, annual rate of change)

	History				Forecast			
	2020:2	2020:3	2020:4	2021:1	2021:2	2021:3	2021:4	2022:1
Total Personal Income	338.7	320.5	324.9	369.1	341.3	335.8	337.4	340.2
% Change	35.2	-19.9	5.7	66.5	-26.9	-6.3	1.9	3.3
Wages and Salaries	149.7	154.8	161.2	165.0	167.0	169.6	172.1	174.0
% Change	-16.6	14.5	17.4	9.8	5.0	6.3	6.1	4.4
Supplements to Wages and Salaries	39.4	40.3	41.6	42.5	42.8	43.1	43.7	44.7
% Change	-11.1	9.2	13.5	9.3	2.5	3.0	5.7	9.4
Proprietor's Income	20.3	22.3	23.4	22.5	23.3	23.2	23.4	22.8
% Change	-26.0	45.3	21.7	-14.4	15.1	-2.5	3.6	-9.0
Property Income	59.1	58.4	59.2	59.0	60.0	60.7	62.0	63.3
% Change	-6.8	-4.9	5.8	-1.2	6.5	5.2	8.5	8.5
Personal Current Transfer Receipts	91.1	66.0	61.5	102.6	71.0	62.1	59.5	59.3
% Change	604.9	-72.6	-24.5	676.7	-77.1	-41.5	-16.1	-1.5
Residence Adjustment	3.8	4.0	4.1	4.2	4.2	4.2	4.3	4.3
% Change	-29.2	20.1	10.1	9.2	1.4	2.1	1.6	1.8
Contributions to Government Social Ins.	24.8	25.3	26.1	26.8	27.1	27.2	27.5	28.2
% Change	-7.7	9.3	12.5	12.3	4.0	1.9	4.8	9.7

Source: Bureau of Economic Analysis, Wisconsin Department of Revenue (Forecast)

General Purposes Revenues**Table 8. General Purposes Revenues, Fiscal Year-to-Date Through May FY 2021**
(\$ Millions)

	Prior Year	Actual	Annual Change	Expected Revenues	\$ Difference
Individual Income Tax	6,937.6	7,934.5	14.4%	7,898.0	36.5
General Sales Tax	4,724.4	5,130.7	8.6%	5,146.7	-16.0
Corporate Franchise Tax	1,296.5	2,121.7	63.6%	1,931.7	190.0
Other Revenues	1,178.2	1,181.4	0.3%	1,177.8	3.6
Total GPR	14,136.7	16,368.3	15.8%	16,154.2	214.1

Source: Wisconsin Department of Revenue

Expected Revenues are based on the Legislative Fiscal Bureau's FY21 Forecast, published June 8, 2021.

- Corporate tax revenues continue to show extraordinarily strong growth.
- Total GPR in this table includes insurance premium taxes, collected by the Office of the Commissioner of Insurance.

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